



WEEKLY ECONOMIC DIGEST

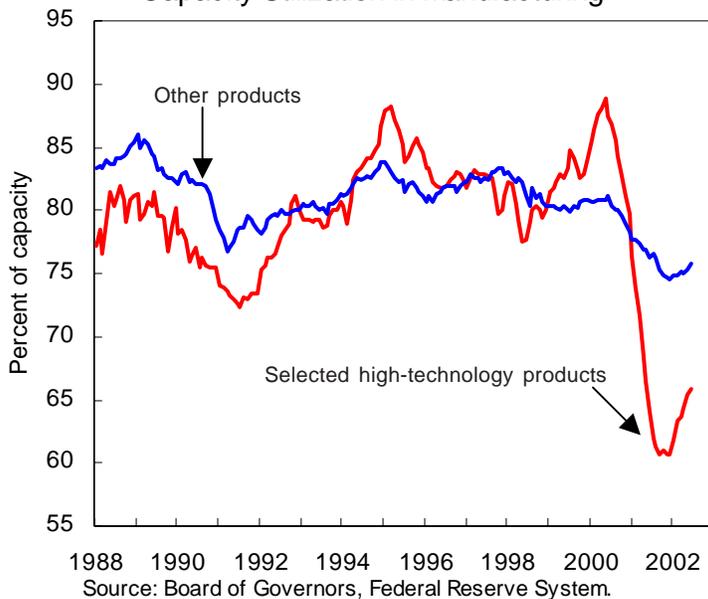


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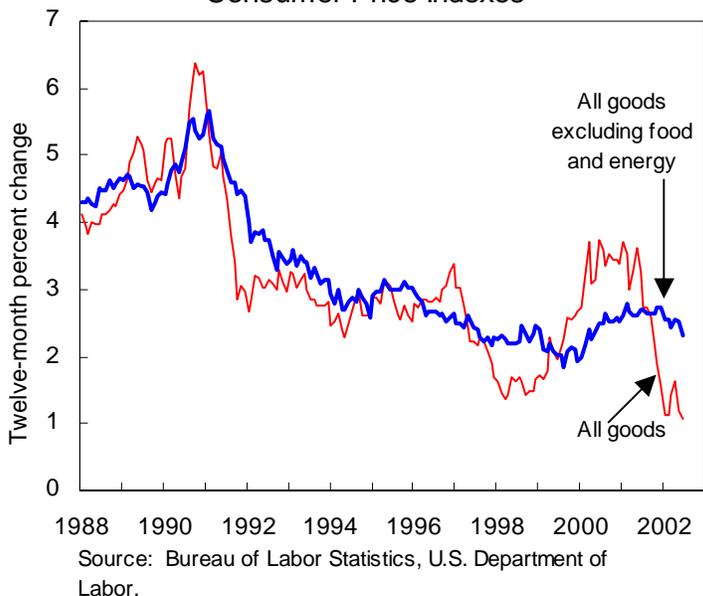
July 23, 2002

Amid Financial Tumult, the Economy Marks Slow Progress

Capacity Utilization in Manufacturing



Consumer Price Indexes



- **Stock prices continued tumbling last week.** The Standard & Poors index of 500 stocks plunged 8 percent last week, capping the steepest two-week decline since October 1987. Regulatory investigations, accounting errors, and disappointing earnings contributed to depress stock prices nearly 30 percent below their levels in late March.
- **Factory output and capacity utilization rose again in June.** Manufacturing production grew by 0.7 percent last month, the sixth consecutive monthly increase. That rise reflected sharp increases in the output of motor vehicles and such high-technology items as computers, semiconductors, and communications equipment. The jump in output raised capacity utilization rates in manufacturing to 74.5 percent, although those rates (particularly those for high-technology producers) remained well below their historical averages of about 80 percent.
- **Housing starts slipped in June but remain high.** Nearly 1.7 million new privately owned housing units were started last month. That activity is down slightly from last month's very high level, but it is above the level that prevailed a year ago. Conventional mortgage rates have fallen in recent weeks to near 6.5 percent, and rising equity in their current houses has encouraged homeowners to trade up.
- **Import demand surged, boosting the trade deficit in May.** Exports of goods and services grew by \$0.6 billion in May (the last month for which data are available), but imports grew by \$2.1 billion, increasing the trade deficit by \$1.5 billion. Imported autos and other consumer goods showed the largest increases.
- **Overall consumer prices barely changed last month.** The consumer price index rose by a mere 0.1 percent in June. The price indexes for food and energy were unchanged, so that core consumer prices also rose just 0.1 percent. The core consumer price index was 2.3 percent above its level in June 2001.

Economy At A Glance	Jun	May	Apr	Mar	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)						6.1	1.7	-1.3	1.2	4.1
Industrial Production (% growth)	10.0	4.9	2.4	3.7	4.6	2.6	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)	76.1	75.6	75.3	75.2	75.7	75.0	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.9	5.8	6.0	5.7	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)	1672	1735	1566	1675	1658	1725	1573	1603	1603	1573
Real Disposable Personal Income (% growth)		4.2	-1.4	2.6		13.9	-8.1	12.3	3.6	3.5
Retail Sales (% growth)	13.6	-12.3	14.9	-1.1	3.7	-2.4	12.9	-1.2	3.8	6.7
Personal Saving Rate (Level, %)		3.1	2.8	3.1		2.9	0.4	3.8	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	1.2	0.0	6.2	3.7	3.4	1.4	-0.3	0.7	2.8	3.4
Core CPI-U Inflation (% growth)	1.2	2.4	3.7	1.2	2.2	2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)*						3.6	4.1	3.6	4.1	4.5
Output per Hour (% growth)						8.4	5.5	1.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.7	1.8	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.9	5.2	5.2	5.3	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	1.8	1.7	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	9492	10080	10165	10501	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Manufacturers' Shipments, Inventories, and Orders of Durable Goods, June (Advance)** [Release: Thursday, July 25, 2002]
- **Employment Cost Index, Second Quarter** [Release: Thursday, July 25, 2002]
- **New Home Sales, June** [Release: Thursday, July 25, 2002]
- **University of Michigan Index of Consumer Sentiment, July (Revised)** [Release: Friday, July 26, 2002]